

LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1

REPORT ON AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2011

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June 8, 2012

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Gravity Drainage
District #1
Livingston Parish Council
Denham Springs, Louisiana

We have audited the accompanying financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement of the General Fund of the Livingston Parish Gravity Drainage District #1, "the District" (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's December 31, 2010 financial statements and, in our report dated May 10, 2011, we expressed qualified opinions on the respective financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note (11) to the financial statements, management has not recorded an estimated expenditure, liability, revenue or receivable related to Hurricane Gustav debris removal services received under a cooperative endeavor agreement between the Livingston Parish Council and the Livingston Parish Gravity Drainage District #1. Documentation related to the costs associated with these services has not been provided by the Livingston Parish Council or the debris removal contractors for management to be able to estimate and record the estimated amounts in the financial statements. Accounting principles generally accepted in the

Livingston Parish Gravity Drainage
District #1

United States of America require that an adequate estimate be reported in the financial statements for receivables, liabilities, revenues and expenditures to account for the debris removal services and the associated grant reimbursements. The amount by which this departure would affect the assets, liabilities, fund balances, net assets, revenues, and expenditures of the Government-Wide and the General Fund is not reasonably determinable as sufficient documentation was not available to adequately estimate the financial transactions.

In our opinion, except for the effects of not reporting the estimated receivables, liabilities, revenues and expenditures associated with the Hurricane Gustav debris removal services as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (the General Fund) of the Livingston Parish Gravity Drainage District #1 as of December 31, 2011, and the budgetary comparison statement of the General Fund and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Livingston Parish Gravity Drainage District #1 adopted the provisions of Governmental Accounting Standards Board Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions, in 2011.

In accordance with Government Auditing Standards, we have also issued a report dated June 8, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

Harris J. Bougeois, CPA

Livingston Parish Gravity Drainage
District #1
Denham Springs, Louisiana
Management Discussion and Analysis
December 31, 2011

This section of the Livingston Parish Gravity Drainage District #1's (the District) annual financial report presents our discussion and analysis of the District's activities for the year ended December 31, 2011. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the detailed financial statements.

FINANCIAL HIGHLIGHTS

- * Net Assets on December 31, 2011 were \$3,311,659.
- * The Net Assets of the Governmental Activities showed an increase of \$257,308 representing an 8.43% increase in 2011.
- * The total general fund balance at December 31, 2011 was \$1,865,483. This reflects an actual increase in 2011 of \$121,972 or 7.0% mainly caused by increases in ad valorem tax and sales tax collections for 2011.
- * At the end of 2011, Unassigned General Fund Balance of \$1,799,645 represents 117.82% of total General Fund Expenditures.
- * The District had a 15.08% increase in the amount of sales tax revenue in 2011. The sales tax revenue totaled \$908,384 in 2011 and \$789,402 in 2010 representing 55.49% and 58.77 % of the total revenues in each of the respective years.
- * The District had a 25.58% increase in the amount of ad valorem tax revenue in 2011. The ad valorem revenue totaled \$670,821 in 2011 and \$534,193 in 2010 representing 40.98% and 39.77% of the total revenues in each of the respective years.

OVERVIEW OF FINANCIAL STATEMENTS

The management discussion and analysis are intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and accrued but unpaid interest).

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The District has one fund, the General Fund, which is a governmental type fund.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 through 17 of this report.

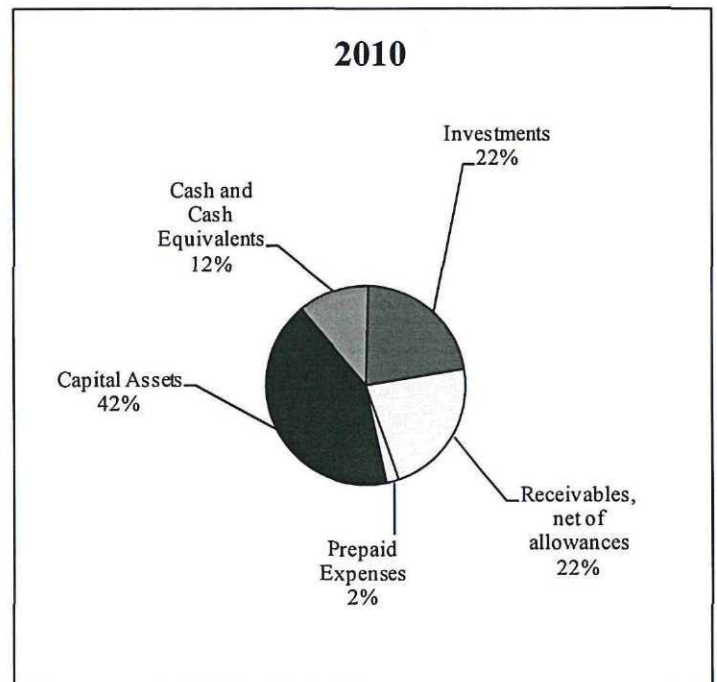
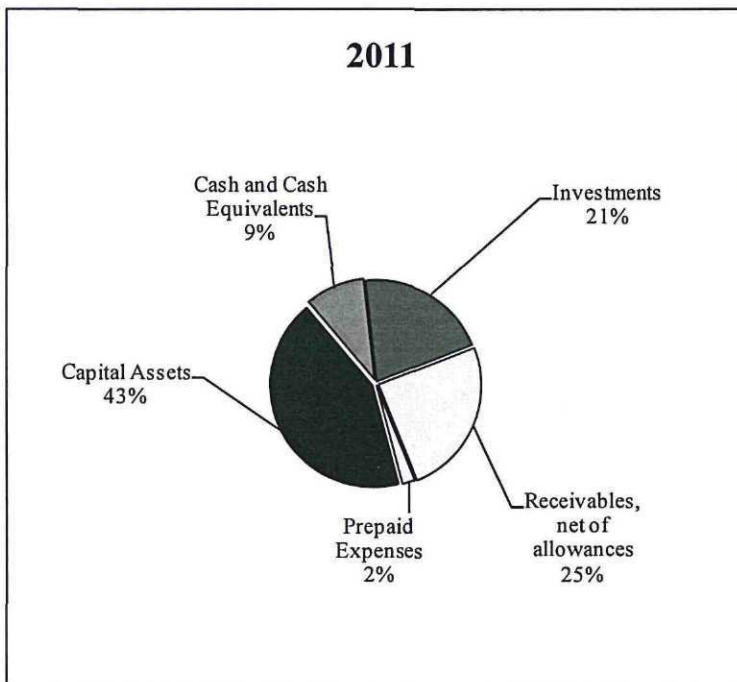
Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 29 of this report.

STATEMENT OF NET ASSETS

The following is a schedule of the District's net assets at December 31, 2011 and 2010. Net assets are calculated by taking the difference between the total assets and total liabilities. The District's assets exceeded its liabilities at the close of 2011 and 2010 by a total of \$3,311,659 and \$3,054,351, respectively.

Condensed Statements of Net Assets

	<u>2011</u>	<u>2010</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 316,561	\$ 358,955	\$ (42,394)
Investments	699,031	683,471	15,560
Receivables, net of allowances	841,741	692,908	148,833
Prepaid Expenses-Inventory	65,838	62,949	2,889
Capital Assets, Net of Accumulated Depreciation	<u>1,446,176</u>	<u>1,310,840</u>	<u>135,336</u>
 Total Assets	 3,369,347	 3,109,123	 260,224
 Current Liabilities	 <u>57,688</u>	 <u>54,772</u>	 <u>2,916</u>
 Total Liabilities	 57,688	 54,772	 2,916
 Net Assets			
Invested in Capital Assets, Net of Related Debt	1,446,176	1,310,840	135,336
Unrestricted	<u>1,865,483</u>	<u>1,743,511</u>	<u>121,972</u>
 Total Net Assets	 <u>\$ 3,311,659</u>	 <u>\$ 3,054,351</u>	 <u>\$ 257,308</u>



STATEMENT OF ACTIVITIES

The District is committed to previous years' goals of accomplishing proper maintenance to the existing infrastructure canal and ditch systems for drainage. Various improvement projects at certain sites were undertaken as well as the continued ongoing clearing, spraying, and general improvement to drainage areas. The extreme growth in the number of homeowners along with business establishments in the District and the new challenges and demands for better drainage of water flow throughout the District is currently challenging management to improve all areas for drainage. Improving methods of clearing, cleaning, and maintaining existing canals is management's priority. Lower areas are being developed and the general population is occupying these areas in large numbers. As the growth continues within the District, due diligence and expenditure of resources will be a priority to secure proper drainage for all. Increased staff and equipment purchases will be made in the years ahead to achieve the goal of proper drainage. In 2009, the District was faced with severe debris remaining in the southern main tributary (Gray's Creek) due to Hurricane Gustav. US Corps of Engineers issued an application for the District to follow a plan to begin removal of the debris over a five year program. The District has begun and has made tremendous headway in accomplishing this project during 2011 and ranks it as a priority since it affects the major drainage of the District's population.

The majority of the funding for the District's operation and maintenance is provided by sales taxes on public sales within the boundaries of the District. The District collects a one-half cent sales and use tax within the boundaries of the District which is placed into the general fund. The District's voters passed a renewal of the 5 mill Ad Valorem property tax in 2010 and began collecting the 5 mills in 2011. The funds are used to pay for the operation and maintenance of the drainage systems and asset purchases. Other sources of revenue result from interest earned and governmental revenue sharing amounts. The District does not have any debt.

Condensed Statements of Activities

	<u>2011</u>	<u>2010</u>	<u>Increases (Decreases)</u>
Revenues:			
General Revenues	\$ <u>1,649,379</u>	\$ <u>1,343,151</u>	\$ <u>306,228</u>
	1,649,379	1,343,151	306,228
Expenses:			
Public Works	1,194,948	1,202,465	(7,517)
Depreciation	<u>197,123</u>	<u>163,694</u>	<u>33,429</u>
	<u>1,392,071</u>	<u>1,366,159</u>	<u>25,912</u>
Change in Net Assets	\$ <u><u>257,308</u></u>	\$ <u><u>(23,008)</u></u>	\$ <u><u>280,316</u></u>

REVENUES

- * Sales and use tax revenue increased by \$118,982 or 15.08 % in 2011 from the previous year. Ad valorem taxes increased by \$136,628 or 25.58%, while interest revenues increased by \$4,276 or 49.27%.

EXPENSES

Total expenses for 2011 increased by \$25,912 (net). This net increase in operating expense was because of the following:

- * Salaries and employee related expenses decreased by \$18,080.
- * Depreciation expense increased \$33,429 in 2011 due to purchases of major capital additions in 2009, 2010, and 2011.
- * Health insurance, retirement costs, fuel costs, and supplies all increased substantially by a total of \$51,447 in 2011 along with some category decreases.

BUDGETARY HIGHLIGHTS

- * The final amended budget for revenues in 2011 reflects an increase of \$104,500. This was caused by a greater than expected upturn in local sales tax revenue collections from original adopted budget totals and a decrease in expected interest revenue projected for 2011.
- * In 2011, the District received \$32,495 more than the final amended revenue budget or a 2.03% favorable variance and in 2010 revenues were less than the final amended revenue budget by \$2,149 or .15% unfavorable variance.
- * In 2011, the final amended budget for expenditures reflects a decrease of \$114,900 as compared to a decrease of \$82,600 for the final amended budget for expenditures in 2010. This decrease was caused by lower than expected salaries, professional fees, and insurance. The 2011 final amended budget also reflected a decrease in capital outlay expenditures in the amount of \$71,000 since special equipment was purchased at lower than original estimates.
- * Total actual expenditures in 2011 were less than the final amended budget by \$27,352 or 1.76%, while in 2010 total expenditures were less than the final amended budget by \$35,192 or 2.54%.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2011 and 2010 amounts to \$1,446,176 and \$1,310,840 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery, and equipment. The total net increase in the District's cost of investment in capital assets for 2011 was \$135,336 or 10.33%.

2011: Total cost of additions equaled \$332,500

*Equipment purchased amounted to \$317,403

*Drainage Improvements including bridge improvements capitalized amounted to \$10,237

*New Air Condition for building amounted to \$4,860

Depreciation expense for 2011 amounted to \$197,123

FUTURE EXPENSES

The District is committed to previous years' goals of accomplishing proper maintenance to all major canals, ditches, and lateral drainage channels for the new population demand being experienced within the District. The extreme growth in the number of homeowners in the District and the additional drainage impact effects from new development will require additional cleaning of major drainage channels. Focusing attention on canals which are holding surface water or causing delayed drainage will be pursued by the District in the future with the resources available. Increased expenditures for engineering, employee salaries, general supplies, and capital outlay for related maintenance equipment is estimated in 2012 and beyond. In 2012, a continued effort of improvement expenditures to fulfill the debris removal tasks will be incurred as the Gray's Creek Refurbishment Project. Management's commitment with the resources available will only improve the standard of living for the District's citizenry relating to drainage issues. The District adopted a budget amount equal to \$300,000 for Capital Outlay in 2012 to accomplish the goals stated above. This larger capital outlay budget is designated for specialized equipment to handle debris removal in wetland sensitive areas of Gray's Creek and other major channels.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens and creditors with a general overview of the District's finances and reveal the District's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, Post Office Box 1265 Denham Springs, La 70727.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF NET ASSETS

DECEMBER 31, 2011
(With Comparative Totals as of December 31, 2010)

ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Cash and Cash Equivalents	\$ 316,561	\$ 358,955
Investments	699,031	683,471
Due From Other Governments	33,188	32,963
Ad Valorem Taxes Receivable, Net of Allowance	657,396	523,404
Sales Tax Receivable, Net of Collection Fees	148,371	134,949
Other Receivables	2,786	1,592
Inventory	17,755	13,445
Prepaid Insurance	48,083	49,504
Capital Assets, Net of Accumulated Depreciation	1,446,176	1,310,840
Total Assets	<u>\$3,369,347</u>	<u>\$ 3,109,123</u>

LIABILITIES

Liabilities:		
Accounts Payable	\$ 41,765	\$ 44,541
Accrued Liabilities	<u>15,923</u>	<u>10,231</u>
Total Liabilities	57,688	54,772

NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,446,176	1,310,840
Unrestricted	<u>1,865,483</u>	<u>1,743,511</u>
Total Net Assets	<u>3,311,659</u>	<u>3,054,351</u>
Total Liabilities and Net Assets	<u>\$3,369,347</u>	<u>\$ 3,109,123</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Governmental Activities:		
Expenses:		
Public Works	\$ 1,194,948	\$ 1,202,465
Depreciation	<u>197,123</u>	<u>163,694</u>
Total Expenses	1,392,071	1,366,159
 General Revenues:		
Ad Valorem Tax	670,821	534,193
Sales Tax	908,384	789,402
State Revenue Sharing	29,681	29,416
Net Realized and Unrealized Gains (Losses)	15,153	(20,970)
Miscellaneous	-	2,430
Interest	12,956	8,680
Net Gain (Loss) on Sale of Assets	<u>12,384</u>	<u>-</u>
Total General Revenues	<u>1,649,379</u>	<u>1,343,151</u>
Change in Net Assets	257,308	(23,008)
 Net Assets- Beginning of Year	<u>3,054,351</u>	<u>3,077,359</u>
 Net Assets- End of Year	<u><u>\$ 3,311,659</u></u>	<u><u>\$ 3,054,351</u></u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 2011
(With Comparative Totals as of December 31, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 316,561	\$ 358,955
Investments	699,031	683,471
Due From Other Governments	33,188	32,963
Ad Valorem Taxes Receivable, Net of Allowance	657,396	523,404
Sales Tax Receivable, Net of Collection Fees	148,371	134,949
Other Receivables	2,786	1,592
Inventory	17,755	13,445
Prepaid Insurance	48,083	49,504
Total Assets	<u>\$ 1,923,171</u>	<u>\$ 1,798,283</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts Payable	\$ 41,765	\$ 44,541
Accrued Liabilities	15,923	10,231
Total Liabilities	57,688	54,772
Fund Equity:		
Fund Balance:		
Nonspendables:		
Inventory and Prepaid Insurance	65,838	62,949
Unassigned	1,799,645	1,680,562
Total Fund Equity	<u>1,865,483</u>	<u>1,743,511</u>
Total Liabilities and Fund Equity	<u>\$ 1,923,171</u>	<u>\$ 1,798,283</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

RECONCILIATION OF THE GENERAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2011
(With Comparative Totals as of December 31, 2010)

	<u>2011</u>	<u>2010</u>
Fund Balances - Total Governmental Fund	\$ 1,865,483	\$ 1,743,511
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		
Governmental Capital Assets	2,612,309	2,390,922
Less: Accumulated Depreciation	<u>(1,166,133)</u>	<u>(1,080,082)</u>
	<u>1,446,176</u>	<u>1,310,840</u>
Net Assets of Governmental Activities	<u><u>\$ 3,311,659</u></u>	<u><u>\$ 3,054,351</u></u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE- GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	2011	2010
Revenues:		
Ad Valorem Taxes	\$ 670,821	\$ 534,193
Sales Tax	908,384	789,402
State Revenue Sharing	29,681	29,416
Net Realized and Unrealized Gains (Losses)	15,153	(20,970)
Miscellaneous	-	2,430
Interest	12,956	8,680
Total Revenues	1,636,995	1,343,151
Expenditures:		
Public Works:		
Salaries	630,140	648,220
Per Diem-Board Members	11,600	11,700
Payroll Taxes	52,450	53,529
Retirement Contributions	26,326	20,128
Health Insurance	94,832	88,765
Assessor's Pension Fund	26,506	20,712
Business Insurance	93,417	103,309
Fuel	56,227	35,076
Legal and Professional Fees	44,113	61,989
Supplies	58,365	40,334
Miscellaneous	6,548	5,723
Office Supplies	3,695	5,356
Repairs and Maintenance	40,753	55,751
Sales Tax Collection Fees	18,740	16,605
Telephone	7,425	7,570
Uniforms	11,449	11,351
Utilities	12,362	13,676
Wetland Mitigation	-	2,671
	1,194,948	1,202,465
Capital Outlay	332,500	146,243

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE- GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
Expenditures (Continued):		
Total Expenditures	<u>1,527,448</u>	<u>1,348,708</u>
Excess (Deficiency) of Revenues over Expenditures	109,547	(5,557)
Other Financing Sources:		
Proceeds from Sale of Assets	<u>12,425</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	121,972	(5,557)
Fund Balance at Beginning of Year	<u>1,743,511</u>	<u>1,749,068</u>
Fund Balance at End of Year	<u><u>\$ 1,865,483</u></u>	<u><u>\$ 1,743,511</u></u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GENERAL FUND
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
Net Change in Fund Balances - Total Governmental Fund	\$ 121,972	\$ (5,557)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period:</p>		
Capital Outlays	332,500	146,243
Depreciation Expense	<u>(197,123)</u>	<u>(163,694)</u>
	135,377	(17,451)
Add accumulated depreciation on capital assets retired during the year	111,072	30,039
Less cost basis of capital assets retired during the year	<u>(111,113)</u>	<u>(30,039)</u>
	<u>(41)</u>	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 257,308</u></u>	<u><u>\$ (23,008)</u></u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad Valorem Taxes	\$ 664,000	\$ 674,600	\$ 670,821	\$ (3,779)
Sales Tax	790,000	893,000	908,384	15,384
State Revenue Sharing	29,000	29,500	29,681	181
Net Realized and Unrealized Gains (Losses)	-	-	15,153	15,153
Interest	17,000	7,400	12,956	5,556
Total Revenues	1,500,000	1,604,500	1,636,995	32,495
Expenditures:				
Public Works:				
Salaries	696,200	636,000	630,140	5,860
Per Diem- Board Members	12,000	12,100	11,600	500
Payroll Taxes	59,000	53,000	52,450	550
Retirement Contributions	25,000	27,000	26,326	674
Health Insurance	90,000	95,000	94,832	168
Assessor's Pension Fund	23,000	24,000	26,506	(2,506)
Business Insurance	120,000	106,000	93,417	12,583
Fuel	35,000	57,500	56,227	1,273
Legal and Professional Fees	62,000	49,000	44,113	4,887
Supplies	39,000	60,000	58,365	1,635
Miscellaneous	3,500	7,700	6,548	1,152
Office Supplies	6,000	5,000	3,695	1,305
Repairs and Maintenance	42,000	43,500	40,753	2,747
Sales Tax Collection Fees	20,000	19,000	18,740	260
Telephone	9,000	7,000	7,425	(425)
Uniforms	12,000	11,000	11,449	(449)
Utilities	16,000	13,000	12,362	638
	1,269,700	1,225,800	1,194,948	30,852

(CONTINUED)

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Expenditures (Continued):				
Capital Outlay	400,000	329,000	332,500	(3,500)
Total Expenditures	1,669,700	1,554,800	1,527,448	27,352
Excess (Deficiency) of Revenues Over Expenditures	(169,700)	49,700	109,547	59,847
Other Financing Sources:				
Proceeds from Sale of Assets	-	17,300	12,425	(4,875)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(169,700)	67,000	121,972	54,972
Fund Balance at Beginning of Year	1,743,511	1,743,511	1,743,511	-
Fund Balance at End of Year	<u>\$1,573,811</u>	<u>\$1,810,511</u>	<u>\$1,865,483</u>	<u>\$ 54,972</u>

The notes to the financial statements are an integral part of this statement.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

(1) Summary of Significant Accounting Policies -

Livingston Parish Gravity Drainage District #1 ("the District") is a body corporate created by the Livingston Parish Police Jury (now the Livingston Parish Council) on November 22, 1969, as provided by Louisiana Revised Statutes. The purpose of the District is to provide maintenance services to drainage structures within the boundaries of the district. The District is governed by a board of five commissioners.

In October 2010, an election was held whereby the voters of Livingston Parish Gravity Drainage District #1 approved a ten year 5-mill property tax on assessed property within the District which will expire in 2020. Also, on January 15, 2005, a 20-year renewal election was held whereby the voters of the District approved a ½% sales tax. In addition, the District receives State Revenue Sharing funds from State provisions connected to the local property tax election passage.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 30, 2011, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 14, the District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Council and the general government services provided by that governmental unit.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

B. Basis of Presentation

Basic Financial Statements - Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the District categorized as a business-type activity.

In the government-wide Statement of Net Assets, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants. The District does not have any program revenues or operating and capital grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

The District uses the following fund type:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2011, it is the only fund of the District.

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual -

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of sales taxes, property taxes, state revenue sharing, and interest income. Interest income is recorded when earned. Sales taxes are recorded as revenues when the underlying transaction occurs and meets the availability criteria. Property taxes are recorded as revenues when levied even though a portion of the taxes may be collected in subsequent years. State revenue sharing is recorded when made available.

2. Modified Accrual -

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

D. Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Buildings and Improvements	20 to 40 years
Equipment	5 to 10 years
Vehicles	5 years

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Chairperson of the Board prepares the annual budget which is based on what is expected to be collected during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the District to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment. The 2011 budget was discussed in a public hearing and adopted during a meeting of the Board on December 28, 2010. The amended 2011 budget was discussed in a public hearing and adopted during a meeting of the Board on December 27, 2011.

All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

G. Encumbrances

Encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The Governmental Fund's budget is maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end.

The actual results of operations are presented in accordance with GAAP and the Commission's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. At December 31, 2011, the District had no outstanding encumbrances.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

I. Summary Financial Information for 2010 and Reclassification

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Certain items in the 2010 columns have been reclassified to conform to the presentation in the current year financial statements. Such reclassifications had no effect on the previous reported deficiency of revenues and other sources over expenditures and other uses or change in net assets.

J. Fund Equity

The District implemented the provisions of Governmental Accounting Standards Board Statement No. 54 which redefined how fund balances are presented in fund financial statements, effective January 1, 2011. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can only be used for specific purposes determined by a formal action of the District board. These amounts cannot be used for any other purpose unless the District board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned - Amounts that are designated as committed by the District board but are not spendable until a budget ordinance is passed.

Unassigned - All amounts not included in other spendable classifications. The District board has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum level.

The details of the fund balances are included in the Balance Sheet - General Fund (page 11). As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the District board or the Assignment has been changed by the District board. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

(2) Cash, Cash Equivalents and Investments -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities less than 90 days. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash and certificates of deposit with maturities less than 90 days totaling \$318,303 with a carrying amount of \$316,561 at December 31, 2011.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

As of December 31, 2011, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Municipal Government						
Bonds	\$ 168,436	\$ 162,609	\$ -	\$ -	\$ -	\$ 162,609
Time Certificates of Deposit	<u>536,422</u>	<u>536,422</u>	<u>536,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 704,858</u>	<u>\$ 699,031</u>	<u>\$ 536,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,609</u>

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2011, \$210,771 of the District's bank balance of \$318,303 was exposed to custodial credit risk because it was uninsured. However, \$210,771 of the uninsured amount was collateralized with securities held by the pledging institution's trust department or agent, but not in the entities' name.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments in Time Certificates of Deposits of \$536,422 the government has a custodial credit risk exposure of \$376,194 because the related Time Certificates of Deposits are uninsured. However, \$376,194 of the uninsured amount was collateralized with securities held by the pledging institution's trust department or agent, but not in the entities' name.

(3) Ad Valorem Taxes -

On October 10, 2010, the voters, who live within the boundaries of Gravity Drainage District No. 1 of Livingston Parish, Louisiana, renewed a 5-mill (\$5 per \$1,000 of assessed valuation) ad valorem tax to provide funds for the maintenance, improvement, and construction of drainage structures within the District. The tax is effective for a 10-year period (2011-2020).

The ad valorem taxes are levied each November 15 on the taxable assessed value listed as of the prior January 1 for all real and business personal property located within the boundaries of Gravity Drainage District No. 1. Taxable assessed value represents the appraised value of the property less exemptions allowed by law. The Livingston Parish Assessor periodically determines the appraised values.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

As of January 1, 2011, the assessed value of the property located within Gravity Drainage District No. 1 of Livingston Parish, Louisiana, was \$137,672,420. For 2011, the District elected to assess 5.00 mills to finance the maintenance, improvement, and construction of drainage structures.

Taxes are due on November 15, the levy date, and they become delinquent on the following January 1. The taxes are generally collected in December of the current year and January through March of the following year. During late April or May, of the year following the year the tax was levied, the Sheriff's office sends out delinquent notices to the property owners. Soon after the Sheriff has mailed the delinquent notices, he will publish them in the newspaper. After a second publication in the newspaper and at least 30 days from the date of the first publication, the property is advertised for auction. The auction usually takes place in June or July. Properties sold at auction have liens placed on them by their buyers. The Parish will put a lien on any properties not sold at the auction.

Total taxes assessed and taxes receivable at December 31, 2011, are as follows:

	General Operations <u>5.00 Mills</u>
<u>Revenues:</u>	
2011 Ad Valorem Tax Assessed	\$ 688,362
Less: 2011 Estimated Uncollectible	(20,322)
Prior Year Collections in Excess of Net Receivable	<u>2,781</u>
	<u>\$ 670,821</u>
<u>Receivable:</u>	
2011 Property Tax Assessed	\$ 688,362
Less: Current Year Taxes Collected in 2011	<u>(10,968)</u>
Taxes Receivable - Current Year	677,394
Prior Years Net Tax Receivables at December 31, 2010	523,404
Less: Prior Years Tax Collected in 2011	(525,861)
Prior Year Collections in Excess of Net Receivable	<u>2,781</u>
Tax Receivable - Prior Years	<u>324</u>
Total Property Taxes Receivable at December 31, 2011	677,718
Less: Allowance for Uncollectible Accounts	<u>(20,322)</u>
Net Property Tax Receivable at December 31, 2011	<u>\$ 657,396</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

(4) Changes in General Fixed Assets -

<u>Governmental Activities</u>	<u>Balance December 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2011</u>
Capital Assets not Being Depreciated:				
Land	\$ <u>158,288</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>158,288</u>
Total Capital Assets Not being Depreciated	158,288	-	-	158,288
Capital Assets being Depreciated:				
Buildings	484,704	4,860	-	489,564
Improvements/Infrastructure	366,865	10,237	-	377,102
Vehicles	301,500	-	(13,648)	287,852
Equipment	1,071,915	317,403	(97,465)	1,291,853
Furniture and Fixtures	<u>7,650</u>	<u>-</u>	<u>-</u>	<u>7,650</u>
Total Capital Assets Being Depreciated	2,232,634	332,500	(111,113)	2,454,021
Less: Accumulated Depreciation for:				
Buildings	(89,002)	(14,936)	-	(103,938)
Improvements/Infrastructure	(62,475)	(17,546)	-	(80,021)
Vehicles	(210,497)	(34,828)	13,648	(231,677)
Equipment	(711,070)	(129,599)	97,424	(743,245)
Furniture and Fixtures	<u>(7,038)</u>	<u>(214)</u>	<u>-</u>	<u>(7,252)</u>
Total Accumulated Depreciation	<u>(1,080,082)</u>	<u>(197,123)</u>	<u>111,072</u>	<u>(1,166,133)</u>
Total Capital Assets Being Depreciated, Net	<u>1,152,552</u>	<u>135,377</u>	<u>(41)</u>	<u>1,287,888</u>
Total Governmental Activities Capital Assts, Net	<u>\$ 1,310,840</u>	<u>\$ 135,377</u>	<u>\$ (41)</u>	<u>\$ 1,446,176</u>

Depreciation expense of \$197,123 was charged to the General Operations function in the Statement of Activities.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

(5) Long-Term Debt -

The Livingston Parish Gravity Drainage District #1 has no long-term debt transactions for the year ended December 31, 2011.

(6) Leases -

The District has no outstanding capital or operating leases at December 31, 2011.

(7) Litigation -

At December 31, 2011, there is no litigation pending against the District.

(8) Compensated Absences -

The District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. The employees of the District must use all of the compensated leave by year end. At this time, the District has no provision for leave carryover, and if leave is not used at year-end, it is lost. A leave accrual is not required in the District's financial statements because there is not a provision for carryover.

(9) Per Diem Paid Board Members -

Each member of the Board of Commissioners is eligible to receive a per diem allowance of \$100 for attending each regular or special meeting of the board. Per diems paid to the board members for 2011 were as follows:

<u>Commissioner</u>	<u>Number of Meetings</u>	<u>Amount Received</u>
Chad Pope	21	\$ 2,100
Mark McCarter	21	2,100
David Provost	26	2,600
Carew Harris	26	2,600
Roy Zachary	21	2,100
Jim Benton	1	<u>100</u>
		<u>\$11,600</u>

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

(10) Pension Plan and Retirement Commitments -

On January 1, 1996, the District adopted the Putnam Prototype Simplified Employee Pension Plan (SEP) for its employees. Under this defined contribution plan, the District's Board of Commissioners establishes individual retirement accounts with Putnam Investments for each eligible employee to whom the District will make a contribution as determined on a year to year basis. Because contributions are made to individual retirement accounts, all contributions received by an employee are 100% vested. The employee may select between several investments options. The District does not guarantee the results of these investments. The District's Board of Commissioners voted to contribute 9.0% of eligible wages for 2011 which amounts to \$26,326.

(11) Contingency -

On September 19, 2008, the District entered into a Cooperative Endeavor Agreement (CEA) with the Livingston Parish Council (LPC) in accordance with Article VII Section 14 and Article VI Section 20 of the Louisiana Constitution. The purpose of the CEA was for the District to use the services of the contractor hired by the LPC for debris cleanup caused by Hurricane Gustav and to foster greater economy and efficiency than the District hiring its own debris cleanup contractor. According to the CEA, the LPC's debris contractor would remove all debris located within the confines of the District in accordance with the "Debris Removal Agreement" between the LPC and the contractor, and only the debris or areas that the District authorized the contractor to cleanup. According to the terms of the CEA, the District agreed to pay all cost related to the debris removal within the boundaries of its District including any cost declared ineligible for reimbursement by the Federal Emergency Management Agency (FEMA).

The contractor performed debris cleanup services from September 19, 2008 through approximately May 13, 2009, which is the date the LPC's President stopped all debris removal services being performed by the contractor. The total cost of the debris removal services performed by all contractors is the subject of a dispute between the LPC, the debris contractors and FEMA. As of the date of the report, the District has not received detailed invoices to be able to determine the total liability that the District may owe under the terms of the CEA. Due to management not having the necessary invoice documentation to review and approve the debris removal costs associated with services performed within the boundaries of the District along with unresolved matters under dispute between the debris contractors, LPC and FEMA, management is not able to reasonably estimate a liability or estimate the receivable due from FEMA, if any, to record in these financial statements. Although no cost or invoice documentation has been provided to the District, management believes the liability owed and federal reimbursement receivable will likely be material to these financial statements.

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011

(12) Current Accounting Pronouncements -

In June 2011, the Governmental Accounting Standards Board issued GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement also amends the net asset reporting requirements in GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This Statement will be required to be adopted by the Livingston Parish Gravity Drainage District #1 for fiscal year ending December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF THE COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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June 8, 2012

Board of Commissioners
Livingston Parish Gravity Drainage
District #1
Livingston Parish Council
Denham Springs, Louisiana

We have audited the financial statements of the governmental activities and the major fund (the General Fund) of the Livingston Parish Gravity Drainage District #1, (the District) a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris T. Bourgeois, CPA

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2011

Current Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None

**LIVINGSTON PARISH GRAVITY DRAINAGE
DISTRICT #1**

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2011

Prior Year Findings:

Internal Control Over Financial Reporting

None

Compliance and Other Matters

None